DIVISION OF
PROTECTIVE SERVICES
MAR 29 1948
DEPARTMENT OF STATE

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American Consulate General, Tsingtao, China,
No. 21 March 12, 1948

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SUBJECT: Press Report of American Intelligence Activities at Tsingtao.

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The Honorable
J. Leighton Stuart,
American Ambassador,
Nanking.

Sir:

I have the honor to transmit a careful translation of an article which appeared in the Tsingtao MIN PAO on March 6, 1948, entitled "U.S. Intelligence Network in Tsingtao." The MIN PAO is the official organ of the Youth Corps.

The author appears to have just enough information about the various American intelligence agencies to indicate that he utilized Chinese intelligence sources in part, and used his imagination and general public knowledge for the remainder. His statements regarding this Consulate General were incomplete, and he failed entirely to mention the S-2 section of the Fleet Marine Headquarters.

At the present writing it is difficult to estimate the motives of the author in publishing the article. Whether it is merely an attempt at sensationalism or has some ulterior motive, the publicity has created concern among the various American intelligence organizations and has considerably annoyed the G-2 section of the 11th Pacification Area Headquarters. A covert investigation of the author, who is also the editor of the newspaper, is being undertaken by both ESD and the local Chinese Army intelligence authorities. Particularly notable is the statement that the author has obtained and read Fleet intelligence reports and that an intelligence officer of the United States Navy loses discretion when intoxicated.

This latter statement is known to officers of the Consulate General and to other responsible Americans in Tsingtao to be false. The officer concerned is inclined to bend over backward in his caution, at all times, to avoid disclosing classified information. It is on this ground that there is the feeling that the article was inspired by a third party with the intent of creating mistrust and suspicion within and between the various American intelligence agencies. This is understood to be a favorite Soviet strategem.

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Aside from the two possibilities mentioned, i.e., sensationalism and inspiration by interested parties, it is considered that a third motive might be an effort by anti-American Chinese to belittle official American establishments in the eyes of the Chinese populace and to create resentment against the presence of American forces in Tsingtao.

The Consulate General will keep the Embassy informed of any developments in the matter.

Respectfully yours,

William T. Turner
American Consul General

Enclosure:
Translation of article
in MIN PAO, March 6, 1948.

RCS/mc
File No. 800

Original and carbon to Embassy.
Copy to Department.

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Translation of article appearing in Min Pao, dated March 6, 1948, written by Fu Hsia-shan

U. S. Intelligence Network in Tsingtao

The spacious seaboard of Tsingtao is spotted with warships. It is the base of the U. S. Naval Forces Western Pacific and also the center of intelligence network of the U. S. Navy in the Far East.

After V-J Day American warships arrived at Tsingtao to assist us to accept the surrender and repatriation of Japanese war captives. Having carried out the mission, the U. S. Navy has indirectly taken up the responsibility of training our new navy. Later on the situation in the North East became tense and the retrocession of Dairen was delayed. The military importance of Tsingtao is daily increasing. Therefore, Soviet Russia and the U. S. have dispatched large numbers of intelligence personnel to Tsingtao with the result that open as well as concealed competition has become acute.

U. S. Intelligence Organs in Tsingtao

The most important intelligence organ of the U. S. in Tsingtao is the ESD under the direct jurisdiction of the War Department, which is situated at No. 10 Ching Shan Road in the neighborhood of Chan Shan and of which Captain Reynolds is in charge. This organization has in its employ 3 Chinese and 6 Russians. In addition the War Department has dispatched a large number of intelligence personnel occupied with the task of finding out the number of communist troops in Kiaotung, the quantity of their munitions, the places where they are stationed, and the manner in which U. S. S. R. transported munitions for their assistance. In the mean time they have also kept a close watch upon the whereabouts of the national troops and the distribution of their munitions. While ESD has kept up close relations with the Garrison Headquarters, cooperation between the two has not yet reached such a degree as has been expected owing to psychological reasons.

The 2nd important intelligence organ is G-2 of the U. S. Naval Forces Western Pacific, which is in charge of Captain Pearce. Its duty is to guard against disclosing naval secrets. Owing to the disclosure of the number of warships and the range of guns of the Naval Forces Western

Pacific

trust and suspicion within and between the various American intelligence agencies. This is understood to be a favorite Soviet strategem.

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Pacific, Admiral Cooke personally drafted an instruction prohibiting naval personnel from dancing with white Russian girls and taking photos with them. Even Chinese and foreign press reporters invited to visit the warships have been prohibited from carrying cameras on board. I obtained and read a few copies of the intelligence reports of this intelligence organ, but found nothing of particular interest. However, Captain Pearce is a keen and capable person. Except on dinner occasions when he gets drunk and discloses secrets, he is always strictly reserved.

The 3rd organ is the American Consulate at Tsingtao. While there is*/intelligence organization in this office, ~~efforts~~ attempts are made day and night to gather data concerning the organization of the Municipal Government, the cost of living and the skyrocketing of commodity prices for the information of the U. S. Embassy at Nanking. Intelligence reports have been furnished by American residents and missionaries, especially the latter, who utilize their profession to keep in contact with the various strata of the general public and get reference data from conversations. When General Medemeyer visited Tsingtao to carry out investigations, the greater part of information he obtained was supplied by American missionaries and residents.

The 4th important intelligence organ is the Intelligence Division of the Naval Port Facilities. This is a gigantic organization of several tens of employees. It may be due to the fact that they are charged with the transportation of ammunition, the arrival of planes, the supply of foodstuffs, and the watch of warehouses, that a close watch should be kept upon the subversive activities of the spies of the hostile party. Consequently at each point are posted alert intelligence reporters.

Aside from the 4 above-mentioned intelligence organs there is also Major Okinwa dispatched by U. S. Navy Department who travels between Nanking and Shanghai and between Shanghai and Tsingtao with military and political intelligence reports. Last year when the consulate of a certain country sent a large group of dancing girls to Tsingtao as spies to gather intelligence information from the U. S. Navy Major Okinwa came to Tsingtao to supply the Navy with the pictures of these dancing girls, and consequently, these girls were sent back to Shanghai with nothing in the way of intelligence in their possession.

* /no special

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[illegible] with the intent of creating mistrust and suspicion within and between the various American intelligence agencies. This is understood to be a favorite Soviet stratagem.

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Reviewer